

**SUMMARIZED MINUTES
SCOTTSDALE CITY COUNCIL
WORK STUDY SESSION
TUESDAY, FEBRUARY 28, 2006**



**CITY HALL KIVA
3939 N. DRINKWATER BOULEVARD
SCOTTSDALE, AZ 85251**

CALL TO ORDER

Mayor Manross called to order a Work Study Session of the Scottsdale City Council on Tuesday, February 28, 2006 in the City Hall Kiva at 5:06 P.M.

ROLL CALL

Present: Mayor Mary Manross
Vice Mayor Ron McCullagh
Council Members Betty Drake, Wayne Ecton, W.J. "Jim" Lane,
Robert Littlefield (absent at roll call; arrived 5:09 PM), and Kevin Osterman

Also Present: City Manager Jan Dolan
City Attorney Deborah Robberson
City Clerk Carolyn Jagger

PUBLIC COMMENT - None

1. Scottsdale's Tourism Development Program

Overview of the City's Tourism Development Program, its benefits to the City and residents, identify key priorities and challenges, request feedback, and answer questions regarding the program's current and future direction.

Related Policies, References:

- City of Scottsdale Ordinance Nos. 2045/3576 establishing allocation of transient lodging taxes.
- City of Scottsdale Ordinance Nos. 2049/2702/3577 establishing the Tourism Development Commission and program.

Staff Contact(s): Dave Roderique, Economic Vitality General Manager, 480-312-7601, droderique@scottsdaleaz.gov; Kathy Carlisle O'Connor, Tourism Development Manager, 480-312-7057, koconnor@scottsdaleaz.gov

NOTE IN ACCORDANCE WITH PROVISIONS OF THE ARIZONA REVISED STATUTES THE SUMMARIZED MINUTES OF CITY COUNCIL MEETINGS ARE NOT VERBATIM TRANSCRIPTS. ONLY THE ACTIONS TAKEN AND DISCUSSION APPEARING WITH QUOTATION MARKS ARE VERBATIM. DIGITAL RECORDINGS OF CITY COUNCIL MEETINGS ARE ON FILE IN THE CITY CLERK'S OFFICE.

Members of staff, the Chairman of the Tourism Development Commission (TDC), and the Chairman of the Convention and Visitors Bureau (CVB) provided a presentation (attached) outlining current policies, bed tax revenues/allocations, and key issues facing the tourism industry.

Consultants from Nichols Tourism Group and Strategic Leisure Company provided a presentation outlining a five-year strategic plan for tourism development and marketing. The consultants noted that repeat visitors are the key to long-term growth in tourism, and that the Sonoran experience is a key element in Scottsdale's destination marketing.

Council and staff discussion:

- Council expressed appreciation for the outstanding work of the Tourism Development Commission and the Convention and Visitors Bureau.
- Suggestions from Councilmembers included:
 - Convention and Visitors Bureau branding for Downtown Scottsdale
 - Consideration of innovative designs and ideas for the Desert Discovery Center
 - Consideration of the impact of traffic on the enjoyment of an event
- Vice Mayor McCullagh believes that events, such as the four that were recently considered by the Council, should be funded through bed tax collections.
- Councilmember Drake requested more information on the percentage of visitors visiting Scottsdale for business reasons.

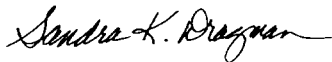
CITY MANAGER'S REPORT - None

MAYOR AND COUNCIL ITEMS - None

ADJOURNMENT

With no further business to discuss, the meeting adjourned at 6:51 P.M.

SUBMITTED BY:



Sandy Dragman
Recording Secretary

REVIEWED BY:



Carolyn Jagger
City Clerk


Officially approved by the City Council on March 21, 2006

CERTIFICATE

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Work Study Session of the City Council of Scottsdale, Arizona held on the 28th day of February 2006.

I further certify that the meeting was duly called and held, and that a quorum was present.

DATED this 21st day of March 2006.



CAROLYN JAGGER
City Clerk

Scottsdale's Tourism Development Program

**Presentation to City Council
Work Study Session
February 28, 2006**

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Introduction

- **Benefits of the Tourism Industry**
- **Origin and Evolution**
- **Current Program Policies**
- **Five-Year Strategic Plan**
- **Discussion and Feedback on Key Issues**

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Highlights for Discussion

- Five-year Strategic Plan Progress Report
- Bed tax allocations and program priorities
- Event support programs and resources
- Visitor-related capital projects

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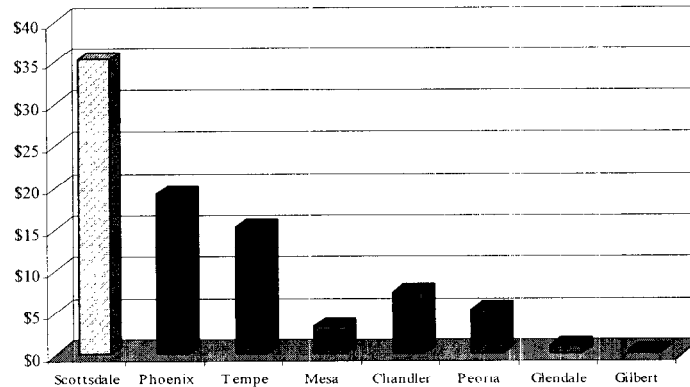
Benefits of the Tourism Industry

- Visitor spending economic impacts estimated between \$2.4 and \$2.7 billion
- Fiscal impact estimated between \$25 - \$28.8 million
- Visitor expenditures contribute between 17-22% of sales tax base annually
- Tourism events and amenities enhance residents' lifestyle
- City receives \$1.90 for every \$1.00 spent in support of the visitor

Source: Economic Vitality Department, The Scottsdale/Paradise Valley Tourism Study, Part II: Visitor Statistics, October 2005

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Comparative Bed Tax Collections Per Capita FY03-04



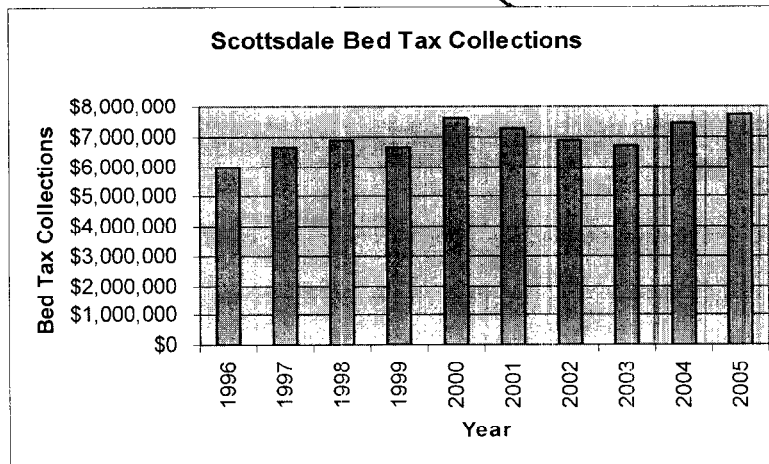
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FY05/06 Year to Date Tourism Indicators

- Bed Tax Revenue up 16%
- Hotel/Motel Tax up 18%
- Misc. Retail Sales Tax up 11%
- Restaurant Tax up 10%

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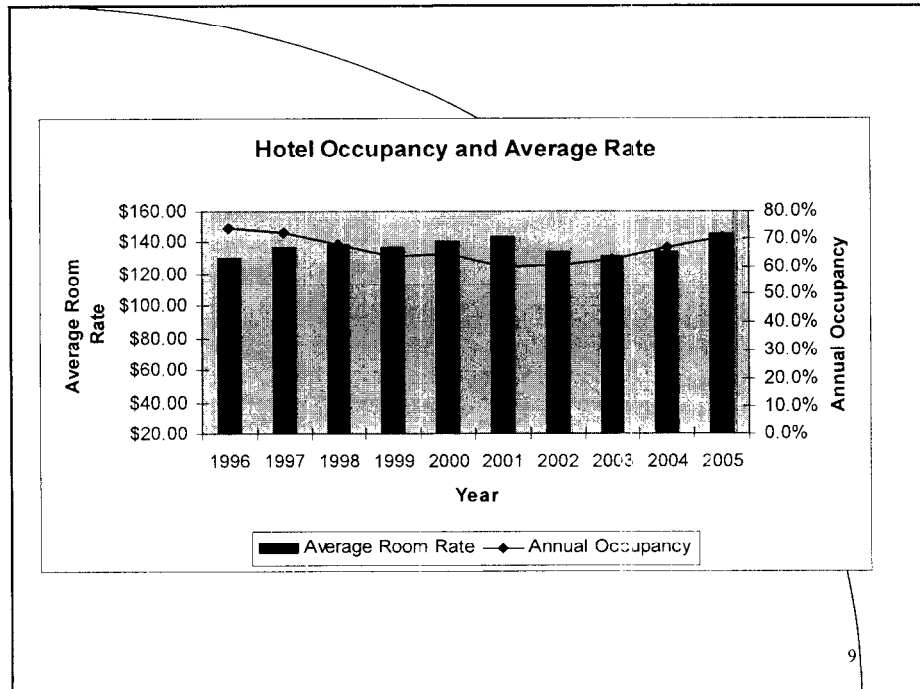
Calendar Year Bed Tax Revenue



Market Area Hotel Occupancy and Average Rate Comparisons

Calendar Year	2004	2005
Occupancy:	66.5%	70.4%
Average Rate:	\$133.82	\$145.31
RevPAR:	\$ 89.04	\$102.31

Source: Smith Travel Research December 2005



Program History

- Current Program Originated in 1988
 - Voters approved bed tax increase from 2 to 3 percent
 - Dedicated fund directed by ordinance for Tourism Development uses
 - Tourism Development Commission established

Program Objectives

- Understand the customer
- Create a product that meets customer needs
- Market the destination more effectively than the competition
- Deliver a world-class product and experience

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Program Components

- Destination Marketing
- Event Promotion
- Visitor Research
- Attraction Infrastructure Projects

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Role of the TDC

- City Council Appointed Representatives of the Tourism Industry
- Advisory body to City Council relating to bed tax expenditures
- Provides input on matters and policy decisions affecting Scottsdale's tourism industry

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Role of the CVB

- Destination Promotion
 - Advertising
 - Public Relations
 - Convention and Group Sales
 - Tourism Sales and Marketing
 - Event Publicity
 - Visitor Center Operations

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Program Priorities

- Budget Review and Allocations
- Matching Event Advertising Funding
- Destination Marketing
- Research
- Capital Projects

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FY2005/06 Bed Tax Budget

FY05/06 Total Bed Tax (100%)	\$8,900,000
General Fund (20%)	\$1,780,000
Tourism Development (80%)	\$7,120,000
Expenditures	\$6,837,544
Surplus/(Deficit)	\$ 282,456
Carryover (est.)	\$1,874,315

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Industry Challenges

- Increasingly competitive marketplace
- Impacts of changing hotel product mix
- Retaining and attracting desirable events
- Lack of event venues
- Appealing to and attracting current and future high-value customers
- Changing character of Scottsdale

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Tourism Development and Marketing Five-Year Strategic Plan

- Fourth in the series
- First three were marketing focused
- Expanded Scope to include product analysis
- Consultants:
 - Nichols Tourism Group -- Mitch Nichols
 - Strategic Leisure -- Michael McCall, Bruce Laval
 - National Laboratory of Tourism and eCommerce - Dr. Dan Fessenmaier

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Highlights for Discussion

- Five-year Strategic Plan Progress Report
- Bed tax allocations and program priorities
- Event support programs and resources
- Visitor-related capital projects

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'Strategic Plan Progress Report' Comments and Questions

- Differentiate Scottsdale
 - “Uniquely Scottsdale”
 - Design is the Spine!
- Maximize access to existing assets
 - Scottsdale as the “Hub”
- Speak to evolving markets
- Drive new visitation by creating bold products

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Bed Tax Allocation

General Fund	20%
<u>Tourism Development</u>	<u>80%</u>

Historic Tourism Development Allocations

- | | |
|-------------------------------------|----------------|
| 1) Destination Marketing | 75-95% |
| 2) Major Tourism Driven Event | 10-15% |
| 3) Tourism Related Research | <5% |
| 4) Visitor Related Capital Projects | Varies |
| 5) Emergency Reserve * | 10% of revenue |

(As of 2004)

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Major Event Support Resources

- IN-KIND MUNICIPAL SERVICES
 - Police Special Events Budget
- GENERAL FUND – Community Events
- BED TAX
 - Matching Event Advertising Funds
 - Event Retention and Development
 - SCVB Event Marketing Program
 - Major Event Sponsorships

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Visitor Related Capital Projects

- Projects for which bed tax has been allocated:
 - WestWorld Multi-Purpose Exhibit Hall
 - Downtown Museum
- Future Potential Projects
 - Desert Discovery Center
 - Pending Five-Year Strategic Plan Implementation

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